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MERCANTILE STORES COMPANY, INC.

CONSOLIDATED BALANCE SHEET

JANUARY 31ST, 1935

MRB
CORP. FILE

15 Exchange Place,
Jersey City, N. J.,
April 16th, 1935.

To the Stockholders of

Mercantile Stores Company, Inc.:

During the past year, a number of important changes have been made in your company. On August 14th, a new president was elected. The new management has made and is continuing to make a thorough study of personnel and related problems. Changes have been made which we believe will increase the efficiency of the organization.

Two changes have been made in the Board of Directors, Mr. Gates W. McGarrah, formerly President of the Bank for International Settlement, has returned to the board after an absence of some years, and Mr. Lindsay Bradford, Vice-President of the City Bank Farmers Trust Company has been elected to the board.

During the year, your management has made a determined effort to reduce expenses and has secured favorable lease modifications in several stores where rentals were out of line with the volume of business.

Real progress has been made during the year and it is believed that this favorable trend in the company's affairs will continue. However, many of the changes which have been made are basic, and time is essential for their fulfillment. Maintenance and further recovery of consumer purchasing power will be an essential factor in continued improvement.

The company's loss for the fiscal year ending January 31st was $358,710.56 after provision for depreciation in the amount of $306,371.55 and deduction for a non-recurring liquidating loss.

We wish to express our sincere appreciation to our employees whose co-operation is making it possible for us to show better results.

By Order of the Board of Directors,

F. G. Kingsley,
President.

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AND SUBSIDIAR

CONSOLIDATED BALANCE

ASSETS

Cash in Banks and on Hand		$1,344,366.40
Securities at Market Values		183,630.94
Accounts Receivable:		
Regular Accounts, less Reserve $255,077.48	$2,195,715.41	
Installment Accounts, less Reserve $134,021.96	2,099,677.36	4,295,392.77
Inventories of Merchandise in Stock and in Transit, less Reserve for Unearned Discount $129,060.18		3,796,241.12
Miscellaneous Accounts and Accrued Interest		76,828.89
TOTAL CURRENT ASSETS		$9,696,460.12
U. S. Bonds and Treasury Notes deposited in escrow in lieu of Surety Bonds to secure rental payments under lease—Market Values		103,081.25
Reciprocal Insurance Companies—Cash value of net equities		116,643.75
Fixed Assets:		
Land and Buildings owned and under purchase contracts, Fixtures and Furniture and Improvements on long term leaseholds less reserves for depreciation $7,036,437.10	$3,754,868.92	
Delivery Equipment—Inventory Value	31,577.90	3,786,446.82
Deferred Charges—Insurance, Repairs, Taxes, etc.		284,740.84
		$13,987,372.78

AUDITORS' C

We have made an examination of the books and accounts of Mercantile Stores Co tested the underlying accounting records and other supporting evidence and obtained infc the accounting methods in force but we did not examine the operating and income acco

Officials of the several companies certified to the physical count and valuation of inventory values from selling price to cost or market, whichever was lower, substantiate

The reserves provided for accounts receivable appear, from an examination and co accounts and in view of the underlying routine of the companies, to be adequate to cover

The fixed asset accounts and the reserves for depreciation are stated in accordance are deemed to be conservative and are based on approximate cost to the companies with ad

The companies' method of accounting has been changed to include in income the fu Balance Sheet the reserve for unearned profit on installment sales contracts set up in pre installment profits taxable as income in subsequent years when collected. No provision has under long term leaseholds but the reserve for contingencies appears to be reasonably suf customers notes, claims, litigations, etc.

The mortgages and other real estate obligations payable as set forth on the Balanc the due performance of the terms and conditions of a lease in that city.

All actual liabilities shown by the records and within our knowledge are included in of assets as stated in the Balance Sheet over the liabilities, reserves and par value of th

In our opinion the above Consolidated Balance Sheet fairly presents on this basis,

NEW YORK, N. Y., April 16th, 1935.

RES COMPANY, INC.

CORPORATIONS

SHEET, JANUARY 31st, 1935

LIABILITIES

Notes Payable to Banks		$1,250,000.00
Accounts Payable:		
For Merchandise		1,512,350.97
For Expense and Sundries		359,254.53
Dividends Payable February 15, 1935		11,949.00
Accrued Taxes, Salaries, Rents and Interest		318,750.29
Real Estate Obligations, maturing within one year		82,733.34
Reserve for Trading Stamps issued by Subsidiary		57,502.12
Reserve for Federal Income Taxes—current fiscal year		12,590.70
TOTAL CURRENT LIABILITIES		$3,605,130.95
Mortgage and Other Real Estate Obligations, with a maturity of more than one year		464,966.60
Reserve for Contingencies		128,005.51
Capital Stock (As reclassified in 1925 and reduced in 1929):		
7% Cumulative Preferred ($100. par value callable at $105.):		
Authorized and Outstanding	10,410 shares	
Less: In Treasury	3,582 shares	
Outstanding—Net and par value thereof	6,828 shares	682,800.00
Common—no par value:		
Authorized and Outstanding	158,238 shares	
Less: In Treasury	14,113 shares	
Outstanding—Net and Net Worth applicable thereto	144,125 shares	9,106,469.72
		$13,987,372.78

ERTIFICATE

pany, Inc. and subsidiary corporations as at January 31, 1935, and in connection therewith rmation and explanations from officers and employees; we also made a general review of nts for the fiscal year ended January 31, 1935.

the inventories. Reasonable tests of the mathematical accuracy and of the reductions of such valuations.

firmation by correspondence with customers of a substantial number of the outstanding losses in collection of both regular and installment accounts.

ith the books of the various companies. The net asset values shown on the Balance Sheet quate provision for depreciation.

profit on installment sales consummated within the fiscal year and to eliminate from the ious years. The companies are contingently liable for Federal Income Tax in respect of been made for this contingent liability or for the usual purchase contracts and rentals payable cient to cover the companies' normal risks in connection with reciprocal insurance, guaranteed

Sheet do not include an unrecorded mortgage on certain Toledo property given to secure

the Balance Sheet and the net worth applicable to the Common Stock represents the excess Preferred Stock.

the financial condition of the combined companies as at January 31, 1935.

PATTERSON, TEELE & DENNIS,
Accountants and Auditors.